



O R A N G E C O U N T Y

AUDITOR-CONTROLLER

I N T E R N A L A U D I T

**FIRST FOLLOW-UP  
COUNTYWIDE AUDIT OF  
FIDUCIARY FUNDS:  
PROBATION DEPARTMENT**

**AS OF FEBRUARY 28, 2017**



**Audit Number 1519-F1 (Reference 1634-I)  
Report Date: April 17, 2017**



O R A N G E C O U N T Y  
**AUDITOR-CONTROLLER**  
I N T E R N A L A U D I T

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**Orange County Auditor-Controller**

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**ERIC H. WOOLERY, CPA**  
AUDITOR-CONTROLLER



**Transmittal Letter**

**Audit No. 1519-F1**  
**(Reference 1634-I)**

**April 17, 2017**

**TO:** Steven J. Sentman, Chief Probation Officer  
Probation Department

**SUBJECT:** First Follow-Up Countywide Audit of Fiduciary Funds:  
Probation Department, Original Audit No. 1519, Issued May 4, 2016

We have completed our First Follow-Up Countywide Audit of Fiduciary Funds for the Probation Department as of February 28, 2017. Our final report is attached for your review.

I submit an **Audit Status Report** quarterly to the Audit Oversight Committee (AOC) and a quarterly report to the Board of Supervisors (BOS) where I detail any critical and significant audit findings released in reports during the prior quarter and the implementation status of audit recommendations as disclosed by our Follow-Up Audits. Accordingly, the results of this Follow-Up Audit will be included in future status reports to the AOC and BOS.

A handwritten signature in blue ink, appearing to read "Toni Smart".

Toni Smart, CPA, Director  
Auditor-Controller Internal Audit Division

**Attachments**

Other recipients of this report:

- Members, Board of Supervisors
- Members, Audit Oversight Committee
- Eric H. Woolery, Auditor-Controller
- Frank Kim, County Executive Officer
- Lilly Simmering, Deputy Chief Operating Officer
- Bryan Prieto, Chief Deputy Probation Officer
- Dana Shultz, Director of Administrative & Fiscal Division, Probation Department
- Jon Humann, Accounting & Financial Unit Manager, Probation/Administrative & Fiscal Division
- Armond Nazaar, Accounting Manager, Probation/Administrative & Fiscal Division
- Foreperson, Grand Jury
- Robin Stieler, Clerk of the Board of Supervisors
- Macias Gini & O'Connell LLP, County External Auditor



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Countywide Audit of Fiduciary Funds:  
Probation Department  
Audit No. 1519-F1 (Reference 1634-I)*

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# Internal Auditor's Report

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**Audit No. 1519-F1  
(Reference 1634-I)**

**April 17, 2017**

TO: Steven J. Sentman, Chief Probation Officer  
Probation Department

FROM: Toni Smart, CPA, Director  
Auditor-Controller Internal Audit Division

SUBJECT: First Follow-Up Countywide Audit of Fiduciary Funds:  
Probation Department, Original Audit No. 1519, Issued May 4, 2016

## SCOPE

We completed a First Follow-Up Countywide Audit of Fiduciary Funds for the Probation Department. Our audit was limited to reviewing actions taken as of February 28, 2017, to implement the **five (5) recommendations** from our original audit.

## BACKGROUND

We conducted a countywide audit of fiduciary funds. The Probation Department had three fiduciary funds. Our audit of internal controls over the selected fiduciary funds administered by the Probation Department was performed to ensure the funds were properly administered, safeguarded, and maintained in compliance with County policy, procedures, and specific fund requirements for the period from July 1, 2014 through June 30, 2015. Our original audit identified **one (1) Significant Control Weakness** and **four (4) Control Findings**.

## RESULTS

Our First Follow-Up Audit found that the Probation Department **implemented four (4) recommendations and is in the process of implementing the remaining recommendation** from the original audit.

Based on our First Follow-Up Audit, the following is the implementation status of the five (5) original recommendations:

### **Finding No. 1 – No Policies and Procedures for Funds 346 and 2AE (Control Finding)**

**Recommendation No. 1:** Probation Department establish written policies and procedures that describe the administration and reconciliation requirements for Funds 346 and 2AE.

**Current Status: Implemented.** Our First Follow-Up Audit found that the Probation Department established policies and procedures describing fund reconciliation requirements and follows the County Accounting Manual (CAM) F-4 – Fiduciary Funds in administration of fiduciary funds. Because of the actions taken by the Probation Department, we consider this recommendation implemented.



# Internal Auditor's Report

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## Finding No. 2 – No Subsidiary Ledgers or Reconciliations for Funds 346 and 2AE (Significant Control Weakness)

**Recommendation No. 2:** Probation Department take measures to establish subsidiary records and reconcile Funds 346 and 2AE.

Current Status: **Implemented.** Our First Follow-up Audit found that the Probation Department established subsidiary ledgers for Funds 346 and 2AE in its subsidiary system by assigning program codes designated for the two funds. We reviewed the December 2016 reconciliation and found that the two funds are reconciled. Because of the actions taken by the Probation Department, we consider the recommendation implemented.

## Finding No. 3 – Fiduciary Sub-Accounts with No Activity Should Be Evaluated (Control Finding)

**Recommendation No. 3:** Probation Department determine if inactive DBSAs in Fund 347 should be closed-out if no longer needed for Probation operations.

Current Status: **Implemented.** Our First Follow-Up Audit found that the Probation Department reviewed the DBSAs in Fund 347 and submitted a request to the Auditor-Controller in June 2016 to delete 27 inactive DBSAs. The Probation Department received a confirmation from the Auditor-Controller that the request was processed. Because of the actions taken by the Probation Department, we consider the recommendation implemented.

## Finding No. 4 – Fund 347 Reconciling Differences Need to Be Resolved (Control Finding)

**Recommendation No. 4:** Probation Department work towards resolving the long-outstanding reconciling differences in Fund 347. Probation should also evaluate the fund usage and name of the DBSA currently referred to as *Unreconciled Control Accounts*.

Current Status: **In Process.** Our First Follow-Up Audit found that the Probation Department changed the DBSA name for Fund 347-9200-0999 from *Interest Earned on Trust Fund Deposits* to *Unreconciled Control Accounts* in CAPS+ to properly reflect Probation's fund. The Probation Department researched this DBSA and identified that the balance of \$27,071 is comprised of unclaimed monies. The Probation Department submitted an escheatment request to the Treasurer-Tax Collector (T-TC) and is awaiting for the T-TC to complete the escheatment of the balance.

Fund 347-9200-9999 – *Hold Trust Fund – Suspense* contains funds received requiring further research by Collection Officers to apply the funds to appropriate accounts. Probation assigned resources to research, identify, and resolve these funds. As of the original audit period ended June 30, 2015, the fund balance was \$404,349, and as of December 31, 2016, the fund balance was \$192,365. While Probation has made progress by resolving over 50% of the fund balance, \$134,376 of the unresolved balance is over 90 days old. The Probation Department continues to assign resources to research, identify, and resolve the old balance. Because of the actions taken by the Probation Department, we consider this recommendation in process of being implemented.



# Internal Auditor's Report

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## Finding No. 5 – Fiduciary Fund Documents Lacking Required Elements (Control Finding)

**Recommendation No. 5:** Probation Department work with the Auditor-Controller to prepare COFAs for Funds 346 and 347 that are supported with the required elements.

Current Status: **Implemented.** Our First Follow-Up Audit found that the Probation Department prepared the Chart of Accounts (COFA) for Funds 346 and 347 with the required elements in accordance with County Accounting Manual Procedure F-3. The COFAs were updated on September 2, 2016. Because of the actions taken by the Probation Department, we consider the recommendation implemented.

We appreciate the assistance extended to us by the personnel of the Probation Department during our Follow-Up Audit. If you have any questions, please contact me directly at (714) 834-5442 or Scott Suzuki, Assistant Director at (714) 834-5509.